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ORIGINAL

BEFORE THE ARIZONA CORPORATION COMMISSION

MIKE GLEASON  
Chairman

WILLIAM MUNDELL  
Commissioner

JEFF HATCH-MILLER  
Commissioner

KRISTIN MAYES  
Commissioner

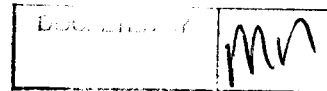
GARY PIERCE  
Commissioner

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ARIZONA CORPORATION COMMISSION  
DOCKET CONTROL

Arizona Corporation Commission  
DOCKETED

OCT -8 2008



IN THE MATTER OF THE REVIEW  
AND POSSIBLE REVISION OF  
ARIZONA UNIVERSAL SERVICE,  
FUND RULES ARTICLE 12 OF  
THE ARIZONA ADMINISTRATIVE  
CODE.

DOCKET NO. RT-00000H-97-0137

IN THE MATTER OF THE  
INVESTIGATION OF THE COST OF  
TELECOMMUNICATIONS ACCESS.

DOCKET NO. T-00000D-00-0672

VERIZON'S LIST OF ISSUES

Verizon California, Verizon Business Services, Verizon Long Distance, and  
Verizon Wireless (collectively, "Verizon") file this List of Issues and Procedural  
Recommendations in accord with the Commission's Procedural Order dated August 20,  
2008.

1 Verizon understands that all parties have agreed to a list of ten issues. These issues,  
2 and Verizon's position on each, are set forth below (Verizon's positions are explained  
3 more fully in Verizon's previously filed comments in this docket)  
4

5 **1. Which carriers' access rates should be the subject of this proceeding? Rural**  
6 **ILECs only? CLECs too?**

7 All carriers' access rates should be addressed in this proceeding, including CLEC  
8 rates.  
9

10 **2. What access rate level and structure should be targeted? Interstate? Qwest's**  
11 **current intrastate access rate level? Elimination of the CCL?**

12 As a starting point for access reform in Arizona, all carriers rates should be reduced  
13 to Qwest's current intrastate levels, and all CCL charges should be eliminated.  
14

15 **3. How much of access cost recovery, if any, should be shifted to end users?**  
16 **What showing should be required for such a shift? What should be the role of**  
17 **"benchmark" rates, and how should benchmarks be set?**

18 Most, if not all, access cost recovery should be shifted to end users. As Verizon  
19 explained in previous comments, the Commission should allow carriers to propose a retail  
20 rate design plan that would make up for lost access charge revenues. Any change in rates  
21 should be made simultaneously with access charge reductions, and, if necessary, could be  
22 phased-in over a period of time.

23 Verizon is willing to consider shifting some access cost recovery to the AUSF;  
24 provided, however, that any resulting AUSF remains relatively small and is "capped" to  
25 prevent future increases. With this approach, the Commission would adopt either a single  
26 benchmark rate for all carriers or several benchmark rates. Carriers would "migrate" their  
current basic service rates to these benchmark rates over a period of time.

1 The starting or minimum benchmark rate should at least be equal Qwest's current  
2 basic service rate, which is approximately \$15.00 per month.

3  
4 **4. How much of access cost recovery, if any, should be shifted to the AUSF?  
What showing should be required for such a shift?**

5 See response to Question 3.

6 **5. How long should a transition period be, if any?**

7 The Commission need not have a single transition period for all carriers. Some  
8 carriers may be able to transition to the maximum benchmark rate immediately; others  
9 may require two or three years.

10  
11 **6. Which carriers should be eligible for AUSF support?**

12 AUSF funding should be available to any carrier that can provide the basic local  
13 services identified by the Commission. However, the Commission should restrict  
14 disbursements from the AUSF to one carrier per geographic area. Competing carriers can  
15 still offer service, but only one carrier would be subsidized for accepting the obligation to  
16 provide service.

17  
18  
19 **7. What should be supported by the AUSF? Access replacement only? High cost  
20 loops? Line extensions? Centralized administration and automatic  
enrollment for Lifeline and Link-Up?**

21 The AUSF should support only very limited, if any, access replacement. As  
22 Verizon explained in its earlier comments, the AUSF should not fund line extensions, and  
23 there is no evidence that centralized administration or automatic enrollment for Lifeline  
24 and Link-Up is necessary to promote universal service.

1 **8. What should be the basis of AUSF contributions and what should be the**  
2 **structure of any AUSF surcharge(s)?**

3 At this time, Verizon does not object to some parties' proposals to base AUSF  
4 contributions on intrastate telecommunications revenues and to collect contributions via an  
5 end-user surcharge. If, however, the FCC adopts a numbers-based methodology, the  
6 AUSF should adopt it.

7 **9. Other substantive issues?**  
8

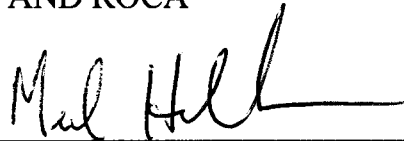
9 N/A

10 **10. How is the best way to proceed resolving the foregoing issues?**

11 The Commission should require testimony and a hearing on all contested issues.  
12 The parties have been engaged in settlement discussions over the past several months, but  
13 have not yet reached agreement on any issue. If they reach a settlement before testimony  
14 is due or the hearing is held, they can submit it to the Commission and seek changes to the  
15 schedule.  
16

17  
18 RESPECTFULLY SUBMITTED this 7th day of October, 2008.

19 LEWIS AND ROCA

20 

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1 ORIGINAL and fifteen (15) copies  
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October, 2008, with:

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6 COPY of the foregoing hand-delivered  
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